City of San Marcos

2004 Electric Pricing Study

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City of San Marcos & LCRA

- Together—we've provided electric service to the people of San Marcos for over 60 years
- San Marcos is LCRA's 5th largest "wholesale customer"
- LCRA was ready and willing to assist San Marcos—as they sought to assess the current electric pricing

LCRA's Pricing Support Service

- LCRA provides pricing analysis and support to wholesale customers
- Since deregulation in Texas—many requests for these services
  - "Unbundle" power supply costs (generation and transmission) from distribution (City's distribution and transfer)
  - Assist with Power Cost Adjustment factors as external costs fluctuate (ERCOT, state-wide transmission, LCRA generation)

San Marcos Project Goals

- Determine if current Power Cost Adjustment is functioning properly
- Review Texas State University billing process
- Compare actual revenues to revenue requirements
- Retail price restructuring
  - Unbundle—or isolate power supply costs vs. distribution costs
  - Look at pricing options for "updated" rate design

What were the results?

- Determine if current Power Cost Adjustment (PCA) is functioning properly
  - PCA process accurately adjusts the monthly wholesale power prices
  - No action needed
- Review Texas State University (TSU) billing process
  - Errors in TSU billing process
  - Implemented "corrected" process in October

What were the results?

○ Compare actual revenues to revenue requirements

- Distribution revenues do <u>not</u> meet budget targets
- Proposed method to correct revenue shortfall
- Immediate need to increase revenues

○ Retail price restructuring

- Update the cost of service
- Bring in additional expertise

Best Option – Energy Method

- Energy factor adjustment of approximately $.00715 per kWh
- Same adjustment per KWh for each rate class
- Results in different percentage increase for each rate class

Rate Adjustment ($/kWh)

Rate Class	Current $/KWh	Energy Method Adder	New Distribution Charge	Energy Method Total	Percent Increase
Residential	$ 0.07303	$ 0.00715	$ 0.02971	$ 0.08018	9.8%
Small General	$ 0.06815	$ 0.00715	$ 0.02483	$ 0.07530	10.5%
Medium General	$ 0.06655	$ 0.00715	$ 0.02323	$ 0.07370	10.7%
Large General (S)	$ 0.06781	$ 0.00715	$ 0.02449	$ 0.07496	10.5%
Large General (P)	$ 0.05580	$ 0.00715	$ 0.01248	$ 0.06295	12.8%
COGEN	$ 0.05466	$ 0.00715	$ 0.01134	$ 0.06181	13.1%
				Total	**10.5%**

Impacts By Rate Class -- Graph

Percentage Increase By Rate Class
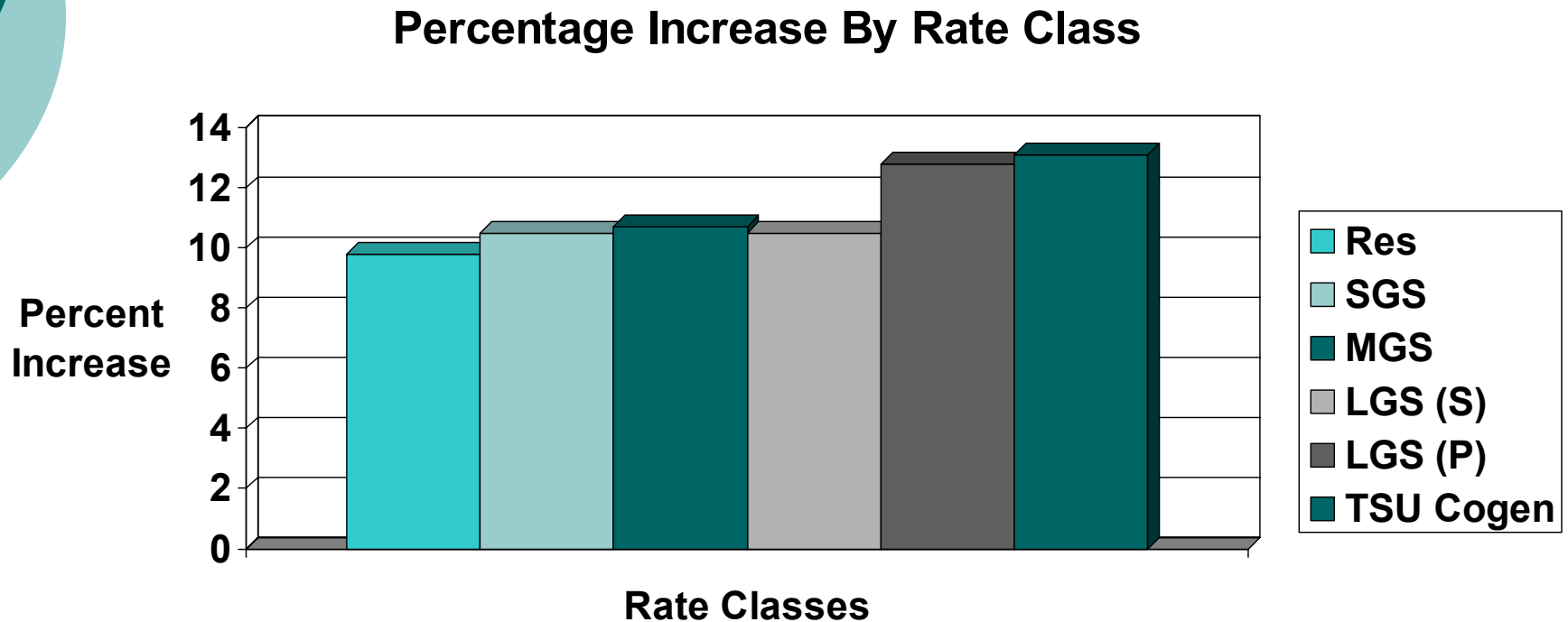
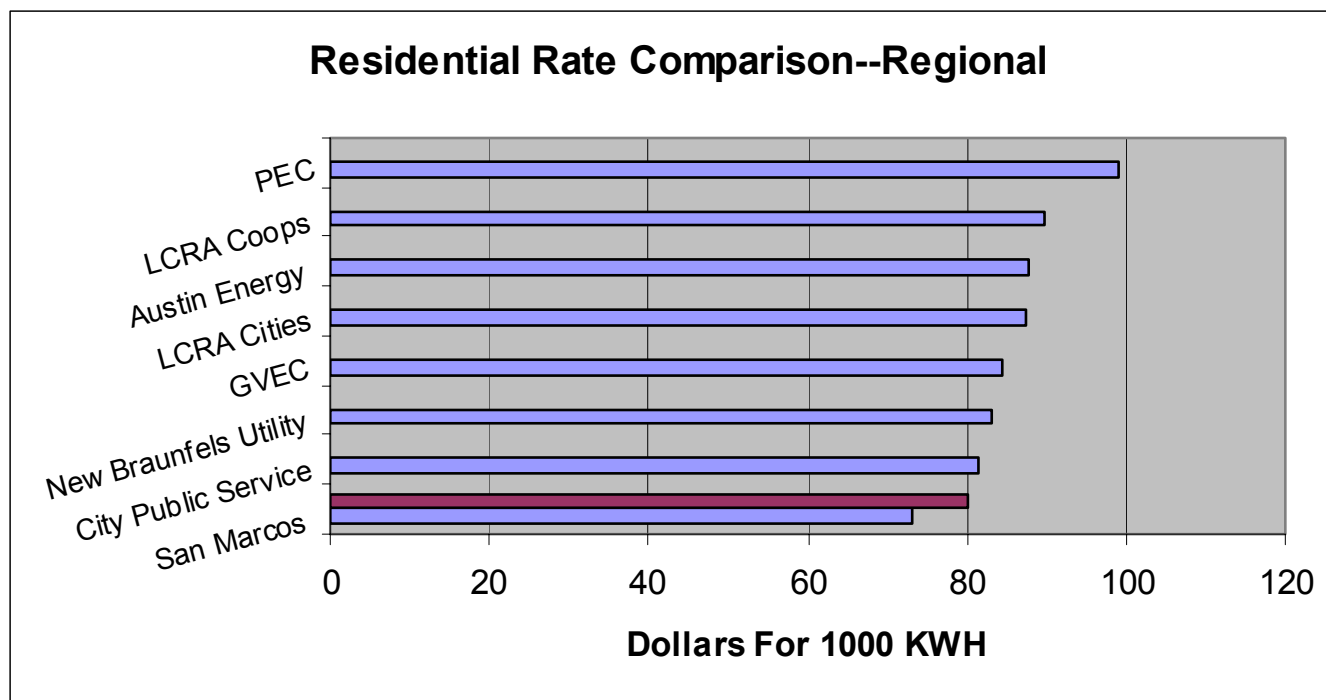# Residential Rate Comparison Competitive Market

Residential Rate Comparison--Competitive
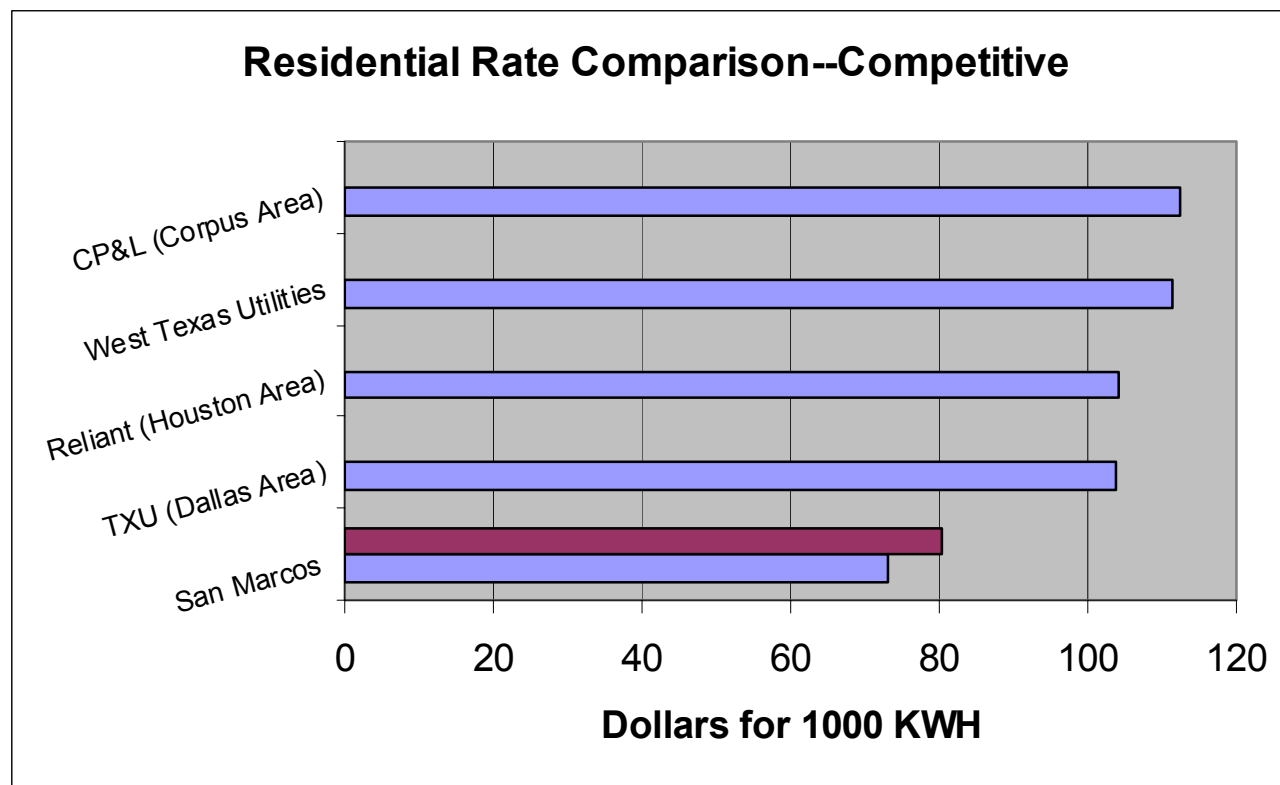
- **Data Sources for "Competitive Utilities" is the Powertochoose.org website (PUC)**
- **San Marcos: Energy Method**
- **San Marcos-lower bar: average from July 2003 – June 2004 (analysis test year)**

Residential Rate Comparison Regional Market

Residential Rate Comparison--Regional

Horizontal bar chart showing dollars for 1000 KWH by utility:
- PEC: ~98
- LCRA Coops: ~90
- Austin Energy: ~88
- LCRA Cities: ~87
- GVEC: ~85
- New Braunfels Utility: ~83
- City Public Service: ~81
- San Marcos (Energy Method): ~80
- San Marcos (lower bar): ~73

X-axis: **Dollars For 1000 KWH** (0, 20, 40, 60, 80, 100, 120)

- •Data Sources for "regional utilities" – TPPA Newsletter (Average from April – July 2004)
- •PEC information was collected by San Marcos staff
- •LCRA "Cities" and "Coops" from participating customers in LCRA Retail Price Comparison Study
- •San Marcos: Energy Method
- •San Marcos-lower bar: average from July 2003 – June 2004 (analysis test year)

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Action Plan

- Implement rate adjustment--which will increase revenues by approximately 10.5%
- The "cost-of-service" – the next step in the study – can start in early 2005
- Team has identified goals: fair, simple, progressive and competitive
- Process will result in recommendations for next year budget process and will determine if there is a need for additional increases and/or restructuring of rates

Summary

- LCRA is honored to work with San Marcos
- Great team effort has made significant findings and taken corrective actions
- Reviewed options for how to address the current shortfall situation – and arrived at "Energy Method" for allocation
- Provided recommended rate adjustment
- Will work with consultant to provide more detailed rate design options for San Marcos in sync with next budget cycle